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NOTE

From: General Secretariat of the Council
To: Permanent Representatives Committee/Council

Subject: *Preparation of the Council (Competitiveness (Internal Market, Industry, Research and Space)) on 28-29 November 2024*
The contribution of research and innovation to the competitiveness of the European Union: follow-up to the recommendations of the report on The future of European Competitiveness
- Policy debate

Delegations will find attached a Presidency note on “*The contribution of research and innovation (R&I) to the competitiveness of the European Union: follow-up to the recommendations of the report on The future of European Competitiveness*” with a view to the policy debate at the Competitiveness Council on 29 November 2024.

BACKGROUND PAPER FOR POLICY DEBATE**The contribution of research and innovation (R&I) to the competitiveness of the European Union: follow-up to the recommendations of the report on ‘The future of European Competitiveness’**

The **European Council called for a new European Competitiveness Deal** on 17 and 18 April 2024,¹ committing to act decisively to ensure the Union’s long-term competitiveness, prosperity and global leadership and to strengthen its strategic sovereignty. The leaders underscored the importance of an integrated approach across all policy areas to increase productivity as well as sustainable and inclusive growth throughout Europe, foster a robust, innovative and resilient economy while advancing Europe’s unique social and economic model. The EU's Strategic Agenda for 2025-2029, adopted on 27 June 2024, prioritises fostering R&I as key to driving economic competitiveness, supporting the green and digital transitions, and addressing global challenges, thereby ensuring a prosperous and resilient Europe.

The **overarching priority of the Hungarian Presidency of the Council is to increase the competitiveness of the EU** horizontally and in the different sectoral policies, including R&I. This includes the adoption of a new European Competitiveness Deal, the so-called Budapest Declaration earlier this month, aiming to foster economic growth, by aligning green and digital transitions with industrial productivity to create high-quality jobs. In R&I, the Hungarian Presidency of the Council focuses on increasing competitiveness and addressing the fragmentation of the European Research Area, achieving the 3% of GDP R&D target, reducing the innovation gap and reinforcing the cooperation in research and innovation.

¹ EUCO 12/24

The Council is closely monitoring the Commission's response to the European Council's call. In light of the upcoming Multiannual Financial Framework (MFF) negotiations, the Commission has intensified its foresight activities to deliver a strategic orientation to European competitiveness.

On 9 September, **Mario Draghi presented his report, "The Future of European Competitiveness"**², upon the invitation of the President of the Commission. The report provides a comprehensive overview of the main challenges to Europe's competitiveness and outlines a series of actions to revitalise our economy.

According to the report, the **first key challenge for the European Union is the need to close the innovation gap** with the United States and China. Draghi highlights several weaknesses of the R&I ecosystem, including low R&D investment levels, inefficient spending, fragmentation of the Union's innovation ecosystem, insufficient academic excellence, weak innovation clusters, financial system limitations, as well as barriers to the creation and scale-up of innovative companies.

The report argues for urgent and concrete reforms based on core policy principles: putting R&I at the centre of EU strategic priorities and policies; focusing on excellence and added value; ensuring scale and policy alignment; as well as upholding openness, inclusiveness, accessibility and European values.

Draghi envisages **setting the European innovation ecosystem on a more dynamic path**, helping the EU avoid the 'middle technology trap' and lagging behind in critical sectors by implementing several short- and medium-term actions in the R&I domain, such as:

- 1) creating a better financing environment for disruptive innovation, start-ups and scale-ups;
- 2) a simpler and more impactful 10th EU R&I Framework Programme with "EU Competitiveness Priorities";
- 3) promoting academic excellence and world-leading institutions;
- 4) Invest in world-leading research and technology infrastructure;

² [EU competitiveness: Looking ahead - European Commission \(europa.eu\)](https://ec.europa.eu/economy_finance/competitiveness_en)

- 5) strengthening the coordination of policies through a “Research and Innovation Union”, including a renewed commitment to the 3% of GDP R&D target
- 6) a more favourable and simpler regulatory ecosystem for innovative companies
- 7) Shared prosperity as a fundamental enabler of EU innovation.

In response, the Hungarian Presidency of the Council is initiating, in the form of the policy debate, a comprehensive follow-up to the Draghi report. In that context, Research Ministers are invited to share their views on the following key questions:

1. What are the main points of the of the Draghi report that you agree or disagree with? Which recommendations should the EU prioritise and how could they be better implemented?
2. How can we overcome the innovation divide and find the balance between promoting excellence, dedicating more focus to world leading institutions and researchers and ensuring inclusiveness, accessibility, sharing prosperity and the benefits of R&I?
3. Implementing the recommendations will require massive investments at European, national and regional levels. What would be the most effective ways to leverage private R&D capital to meet these ambitious goals?
